



**THOMAS L. GARTHWAITE, M.D.**  
Director and Chief Medical Officer

**FRED LEAF**  
Chief Operating Officer

COUNTY OF LOS ANGELES  
DEPARTMENT OF HEALTH SERVICES  
313 N. Figueroa, Los Angeles, CA 90012  
(213) 240-8101

April 29, 2004

The Honorable Board of Supervisors  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**AGREEMENTS WITH CALIFORNIA DEPARTMENT OF HEALTH SERVICES FOR  
SUPPLEMENTAL MEDI-CAL REIMBURSEMENT FOR HOSPITAL OUTPATIENT  
SERVICES (All Districts) (3 Votes)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Approve, and delegate to the Director of Health Services or his designee the authority to execute, one or more agreements, retroactive to July 1, 2002, with the California Department of Health Services ("CDHS") in substantially the form as attached which will allow the County hospitals to receive supplemental reimbursement under Medi-Cal for outpatient services, including emergency room services.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:**

Medi-Cal recently began a program which allows public hospitals that sign an agreement with CDHS to receive supplemental reimbursement for services provided in a hospital outpatient setting, including the emergency room. The supplemental reimbursement amount is composed of additional federal financial participation which will be drawn down by claiming unreimbursed County costs incurred in providing outpatient care to Medi-Cal beneficiaries. There is a small reduction in the final payment because the participating public hospitals are responsible for paying CDHS' costs of administering this program. To be eligible to participate, the County must execute agreements for each of its hospitals. By making these

**BOARD OF SUPERVISORS**

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contracts retroactively effective, the County will be able to receive supplemental payment for services provided since July 1, 2002. In taking the recommended action, the Board is approving the proposed contract which will be substantially the same as Attachment A and delegating authority to the Director or his designee to execute such agreements with CDHS, so that the County hospitals may receive this supplemental Medi-Cal reimbursement.

FISCAL IMPACT/FINANCING:

The Department anticipates that it will receive an additional \$13.84 million annually in reimbursement under Medi-Cal for hospital outpatient services during the 2002-03 and 2003-04 fiscal years. This revenue is included in the Department's Fiscal Outlook and in the 2004-05 Proposed Budget. These amounts relate only to care provided in the hospital emergency departments. Because the County hospitals are currently receiving cost-based reimbursement for the outpatient services rendered outside of the emergency departments, the County does not have any claimable unreimbursed costs associated with such care and, therefore, is not able to draw down additional funds for those outpatient services. The Department anticipates that it may receive substantially higher amounts of supplemental payments under this program if cost-based reimbursement ends in 2005, as currently scheduled.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

In 2002, the Legislature enacted AB 915 (codified at Welfare and Institutions Code § 14105.96) which authorized Medi-Cal to pay supplemental amounts to public acute care hospitals for providing outpatient and emergency services to Medi-Cal patients. The supplemental payments are to be based on the additional federal financial participation which would be drawn down using, as the state's match, the unreimbursed expenditures made by counties and other governmental entities to provide hospital outpatient and emergency care to Medi-Cal beneficiaries. The unreimbursed expenditures at the County hospitals result from the fact that Medi-Cal payment for emergency room services is less than the cost of providing such care. The legislation both requires participating public hospitals to bear CDHS' cost of administering the program, and requires them to execute a participation agreement with CDHS. Each hospital must execute a separate agreement. To effectuate AB 915, CDHS submitted State Plan Amendment No. 02-018, which was approved on September 12, 2003. CDHS is now in the process of implementing that Amendment.

This contract meets an exception to the Board's policy discouraging retroactive contracts because it allows the County to receive additional revenue.

CONTRACTING PROCESS:

CDHS is the sole agency with authority to enter into an agreement with the County hospitals for this purpose.


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IMPACT ON CURRENT SERVICES (OR PROJECTS):

These actions will provide additional revenue to support existing services at the County hospitals.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas L. Garthwaite".

Thomas L. Garthwaite, M.D.  
Director and Chief Medical Officer

TLG:ak

Attachments

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors

**AGREEMENT  
FOR PUBLIC HOSPITAL PROVIDING OUTPATIENT SERVICES  
WELFARE AND INSTITUTIONS CODE SECTION 14105.96**

This Agreement is entered into between the California Department of Health Services ("State DHS") and \_\_\_\_\_ ("Public Agency").

**RECITALS**

- A. This Agreement is made pursuant to the authority of Title 1, Division 7, Chapter 5, Article 1 (commencing with section 6500) of the Government Code. That Article establishes a procedure for the exercise of powers, by the contracting parties, when those parties are within the definition of the term "public agency" set forth in Government Code section 6500.
- B. This Agreement is made to implement Welfare and Institutions Code section 14105.96. That Section authorizes specified acute care hospitals providing outpatient services as specified in subdivision (b) of that section to receive supplemental Medi-Cal reimbursement for such outpatient services provided. In this Agreement, the supplemental reimbursement program established in Welfare and Institutions Code section 14105.96 is referred as the "Public Hospital Outpatient Services Supplemental Reimbursement Program."
- C. This Agreement is intended to fulfill the conditions of Welfare and Institutions Code section 14105.96 that a contract with State DHS must be entered into to implement that section and that State DHS must be reimbursed State DHS' costs of administering of that section.
- D. Welfare and Institutions Code section 14105.96 further provides that the State share of the supplemental reimbursement submitted to the Federal Centers for Medicare & Medicaid Services (CMS) for purposes of claiming federal financial participation shall be paid only with funds expended by Public Agency and certified to State DHS.

### **1. Certification and Data Submission**

Public Agency shall submit, at such times as prescribed by State DHS, a complete and executed certification form, entitled "Public Hospital Outpatient Services Supplemental Reimbursement Claim and Certification Form," constituting the certification pursuant to Code of Federal Regulations, title 42, section 433.51, that the claimed expenditures are eligible for federal financial participation, data as specified by State DHS as to the amount of such expenditures, and such other information as State DHS may require. In the event any item of expenditure certified is no longer occurring or has been determined to be inaccurate, Public Agency shall promptly notify State DHS. If a certified item of expenditure is determined to be not fully reimbursable in accordance with Code of Federal Regulations, title 42, section 433.51, Public Agency's reimbursement with respect to such certified items shall be denied or reduced.

### **2. Records and Access**

Public Agency shall keep, maintain, and have readily retrievable, records to fully substantiate any certification, data, or other information provided to State DHS. Upon the request of State DHS, Public Agency shall make such records available for inspection and copying, and, if requested by State DHS, convert such records into language(s) or format(s) to allow such records material to be readily interpreted by State DHS personnel. The obligations of Public Agency under this Paragraph shall be undertaken at Public Agency's sole expense.

### **3. Administrative Cost Reimbursement**

Public Agency acknowledges its obligation, pursuant to Welfare and Institutions Code section 14105.96, subdivision (f), to reimburse State DHS for the State DHS' administrative costs incurred in implementing the Public Hospital Outpatient Services Supplemental Reimbursement Program. After the end of each state fiscal year, State DHS will calculate its administrative costs for that fiscal year, and will determine the portion of those costs, if any, that will be assessed to Public Agency. State DHS and Public Agency will enter into a separate agreement setting forth

the amount of the administrative costs, if any, to be paid by Public Agency, together with details regarding invoicing and payment. State DHS may determine that the amount due from Public Agency is zero, if State DHS has been fully reimbursed for such costs from other entities (including other participants in the Public Hospital Outpatient Services Supplemental Reimbursement Program).

#### **4. Term of Agreement**

This Agreement shall take effect as of July 1, 2002, and continue in effect until terminated subject to the provisions of this Paragraph 4. Except as set forth in this Paragraph 4, the obligations of both parties shall cease upon such termination.

- A. Termination by Public Agency. Public Agency may terminate this Agreement with or without cause by written notice to State DHS delivered in accordance with Paragraph 5. Termination shall be effective ten (10) days after delivery or such later date set forth in the notice. Termination by Public Agency under this paragraph 4.A shall constitute Public Agency's withdrawal from participation in the Public Hospital Outpatient Services Supplemental Reimbursement Program.
- B. Automatic Termination. This Agreement shall be terminated automatically upon the occurrence of any of the following events: (i) Public Agency at any time ceases to operate an acute care hospital, (ii) such hospital ceases to provide outpatient hospital services; or (iii) Welfare and Institutions Code Section 14105.96 is repealed or becomes inoperative.
- C. Surviving Obligations of Public Agency. Both of the following obligations shall survive the termination of this Agreement for any reason: (i) Public Agency's obligations under Paragraph 2; and (ii) Public Agency's obligations to pay administrative costs under Paragraph 3 for any state fiscal year for which this Agreement is in force at any time during such state fiscal year.

## 5. Notices

Any and all notices required, permitted or desired to be given by one party to the other and will be in writing and delivered to the other party personally or by United States first class, certified or registered mail with postage prepaid, addressed to the other party at the addresses set forth below. Notices mailed pursuant to this Paragraph shall be deemed delivered five (5) days after mailing. Notices shall be directed as follows:

Notices to Public Agency: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notices to State DHS: Rachel Luxemberg  
California Department of Health Services  
Medi-Cal Policy Division/LTC System Development Unit  
MS 4600  
1501 Capitol Avenue, Ste. 71.4001  
P.O. Box 997413  
Sacramento, CA 95899-7413

Changes in the place to which notices are to be directed may be made by the notice procedure set forth in this Paragraph.

IN WITNESS WHEREOF, the parties to this Agreement, by their duly authorized representatives, have executed this Agreement on the dates set forth below.

Public Agency \_\_\_\_\_  
Authorized Representative \_\_\_\_\_  
Title \_\_\_\_\_

Date \_\_\_\_\_

State DHS \_\_\_\_\_  
Authorized Representative \_\_\_\_\_  
Title \_\_\_\_\_

Date \_\_\_\_\_